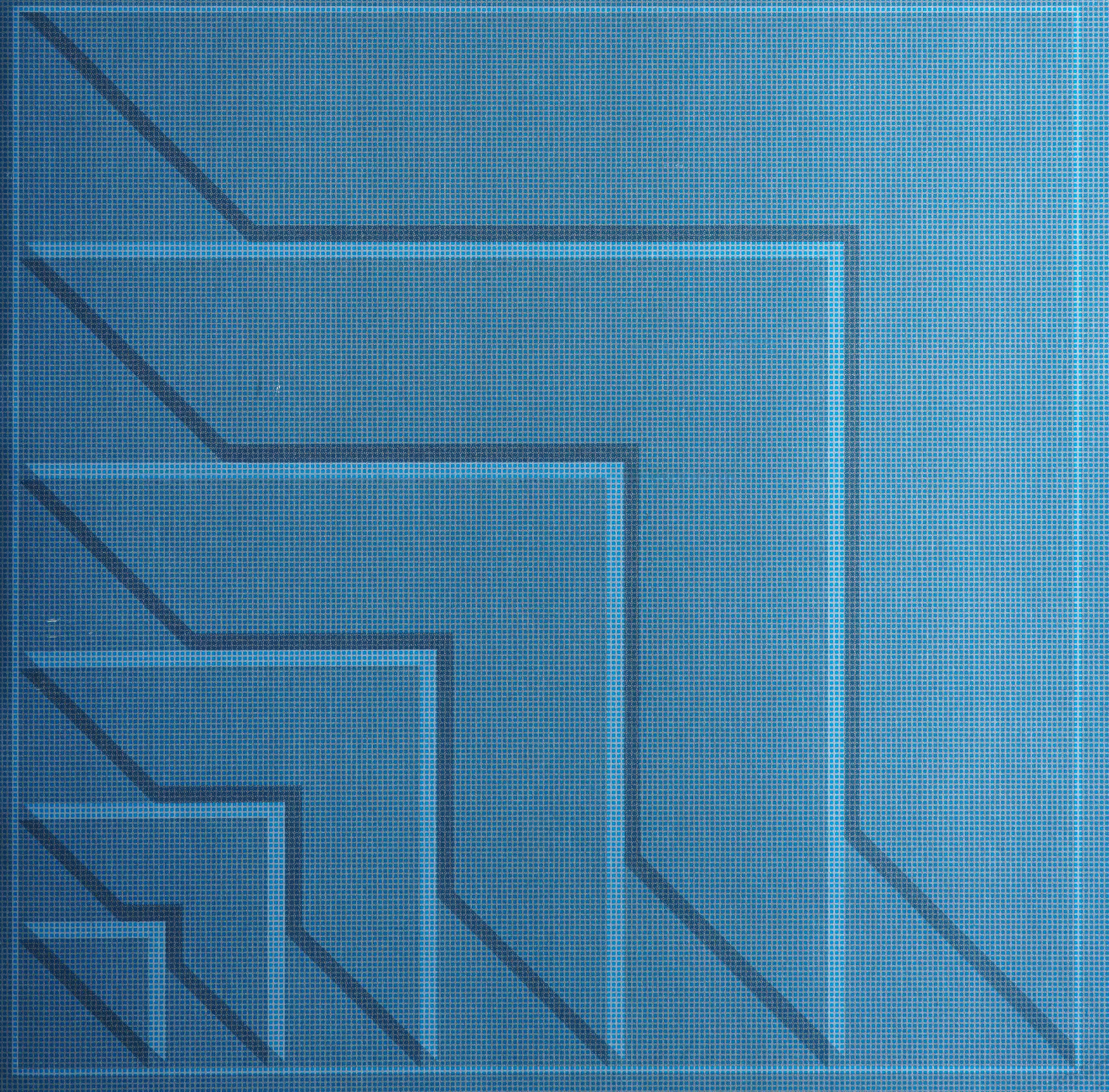


AR79

CANADIAN  
CORPORATE  
MANAGEMENT  
COMPANY  
LIMITED  
Annual  
Report  
1978





### **Officers**

Hon. Walter L. Gordon	—Chairman
L. C. Bonnycastle	—Vice Chairman
Peter A. G. Cameron	—President
B. H. Rieger	—Vice President
J. Boyd Clarke	—Vice President
J. P. Parker	—Vice President
J. A. McKee	—Vice President, Finance
T. M. H. Hall	—Controller
E. H. Durnan	—Assistant Treasurer
W. H. Irwin	—Technical Director

### **Board of Directors**

L. C. Bonnycastle	—Toronto
J. M. Brunton	—Toronto
Peter A. G. Cameron	—Toronto
J. Boyd Clarke	—Toronto
R. Winfield Ellis	—Chicago
Hon. Walter L. Gordon	—Toronto
A. G. S. Griffin	—Toronto
C. Malim Harding	—Toronto
Hon. Maurice Lamontagne	—Ottawa
A. J. MacIntosh, Q.C.	—Toronto
J. H. Moore	—London
J. P. Parker	—Toronto
B. H. Rieger	—Toronto
Zoltan D. Simo	—Toronto

### **Head Office**

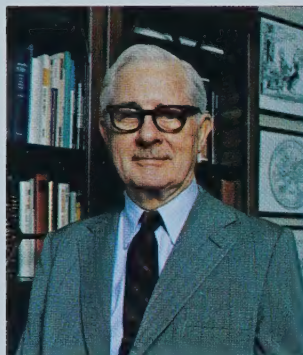
Suite 2080 Commerce Court West,  
P.O. Box 131,  
Commerce Court Postal Station,  
Toronto, Canada M5L 1E6

### **Transfer Agents**

National Trust Company, Limited  
Toronto and Montreal

The Canadian Bank of Commerce Trust Company  
New York

## Directors' Report to Shareholders



Hon. Walter L. Gordon,  
Chairman



Peter A. G. Cameron,  
President

Our company's results for the year 1978 compared with those for 1977 are set out in the table below in a somewhat different form than that used in previous years:

	1978	1977	Increase or (Decrease)	
	000's	000's	000's	%
Sales	\$316,800	\$286,387	\$30,413	10.6
Net income before the undernoted items—	31,354	28,972	2,382	8.2
Interest	4,706	3,478	1,228	
Depreciation and amortization	5,740	4,769	971	
Investment income	(104)	(740)	(636)	
	10,342	7,507	2,835	37.8
	21,012	21,465	(453)	(2.1)
Income taxes	8,834	8,617	217	2.5
	12,178	12,848	(670)	(5.2)
Minority interest	771	1,014	(243)	(24.0)
Net income for the year	\$ 11,407	\$ 11,834	\$ (427)	(3.6)
Net income per common share	\$5.15	\$5.34	\$(.19)	(3.6)

It will be noted that:

- (i) The sales of our various subsidiaries increased by \$30,413,000 or 10.6%.
- (ii) The net income of the various subsidiaries before interest, depreciation, taxes, etc. increased by \$2,382,000 or by 8.2%.
- (iii) Interest charges increased by \$1,228,000. This is made up primarily of some \$1,400,000 for 8½ months

on the amount borrowed to finance the special dividend of \$19,375,930 or \$8.75 per share which was paid on April 14, 1978.

When these factors are taken into account it is apparent that 1978 was a good year for us. In fact, our company earned 18.8% on average common shareholders' equity compared with 17.7% in 1977. It will be appreciated however that the results for 1978 would be less than the amounts shown if an adjustment was made for the effects of inflation.

The most significant event in 1978 was the payment on 14th April 1978 of a special dividend of \$8.75 per share from 1971 capital surplus. This in a sense was a return of capital amounting to \$19,375,930 which was well received by the shareholders. As already noted, however, the interest on the amount borrowed to pay this dividend amounted to \$1,400,000 (before deduction for taxes) for 8½ months.

With the rates of interest now in effect the corresponding interest expense for the full year 1979 would amount to \$2,325,000. A company like ours that is well financed will be able to meet these and other interest charges but we feel strongly that such high rates cannot be justified by current economic conditions in Canada. They are an especially heavy burden on small businesses in all parts of the country that are dependent on bank borrowings.

In October 1978 we purchased through Chromalox Canada Inc. the business of Electro-Therm, Inc. of Maryland, U.S.A. for U.S. \$6,090,000. The Chromalox and Electro-Therm businesses complement one another and this acquisition should result in an appreciable expansion of the operations of both companies. Under the terms of our agreement with the Cutler brothers who sold us a 50% interest in Cutler Brands and Cutler Designs in 1975, we purchased their other 50% effective 31st December 1978 for \$1,770,000. Additionally we acquired the remaining 20% interest in Jelinek Sports Limited.

A number of changes took place at our various subsidiaries during the course of the year, some of which are reported briefly as follows:

- The assets of the Chromalox Air Conditioning Division were sold to a new company owned 50% by Chromalox and 50% by Canadian Manoir Industries Limited. The new company



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should benefit from the combined manufacturing and marketing experience of the two companies.

- Hull-Thomson Limited began construction of a new plant in Windsor, Ontario to take care of the increasing demand for roll formed and stamped components in the automotive and appliance industries.
- Larkin Lumber continued its expansion program by opening 7 new outlets, 5 in Ontario and 2 in Quebec. A new Timberline home centre was opened in Collingwood, Ontario in conjunction with Canadian Tire Corporation Limited.
- Regal Stationery launched a marketing program in the United States with the establishment of catalogue outlets in Hartford, Conn. and Springfield, Mass. In Canada, new outlets were opened in St. Catharines, Montreal East and Regina.
- RBW Inc. purchased a new common impression cylinder press, a high speed saddle binder and a 5 colour sheet fed press as part of their continuing modernization program. Through technological achievements and concentration on specialized market areas, the company has become one of the most efficient web press operations in Canada.
- Dominion Forge completed the installation of a new 1600 ton automated billet shear. Intensified efforts in the off-highway, truck and recreational vehicle markets enabled the company to achieve its objectives for 1978.
- Northern Pigment enjoyed a record year and in 1979 will celebrate its 50th year in business.
- IEC-Holden Inc. continued its aggressive product development program resulting in added manufacturing activity. Pandrol Canada Ltd., a joint venture with Elastic Rail Spike of England, had record shipments of rail fastenings and accessories to Canadian and export customers.
- Tender Tootsies Limited continued as the trend setter in the ladies slipper and shoe market with the introduction of several new styles. In 1978 the company benefitted from the quotas imposed on the importation of footwear.

There have been a number of changes in our senior personnel. In August Mr. Val Stock resigned after serving as President for six years. We thank him for his contributions and wish him well in his new position as President of Canada

Packers Limited. Our new President is Mr. Peter A. G. Cameron, who for nearly ten years was Vice President of Canadian Industries Limited. He has had broad experience in business administration, including considerable exposure in the field of marketing. This will be valuable with our present companies and with any acquisitions we may make. He is taking hold of things very well and we are confident he will make a fine contribution to our company's future growth and development.

Mr. R. Winfield Ellis, who has been a valued Director of our company and its predecessor since the latter's formation in 1945, has decided not to stand for re-election. He was very helpful in raising the original capital and has served faithfully ever since as a member of our Board of Directors. We are grateful to him for his contributions.

During 1978 Mr. A. C. B. Wells was appointed Director of Sporting Goods Operations to oversee our three investments in this field. Previously, he held a senior position with an internationally known sporting goods company.

Mr. Les Drugmand, Senior Vice President, Operations, of Chromalox has taken over as President of Electro-Therm, Inc. Mr. William Argue, a Professional Engineer with experience in the appliance and automotive component industry, has been appointed Vice President, Operations, of Chromalox Canada Inc.

Effective March 31, 1979, Mr. John Halada is resigning as President of Dominion Forge Company Limited to accept a very attractive offer from a large company in the United States. In the nine years he has been President of Dominion Forge, Mr. Halada and his staff have improved significantly the company's efficiency and profitability and we shall be sorry, indeed, to lose his valuable services. We wish him every success in his new endeavour. Mr. Boyd Clarke will act as President of Dominion Forge for the time being with Mr. Ernie Marks, who has been with the company for over thirty years, as Vice President, Operations.

Mr. J. M. Brunton, Chairman and Chief Executive Officer of Larkin Lumber Limited has decided, with our full concurrence, that Mr. J. F. Haldimand should succeed him in due course as the head of Larkin Lumber. Accordingly, Mr. Haldimand, currently President of Peterborough Lumber Limited, a Larkin subsidiary, has been appointed President and Chief Operating Officer of Larkin Lumber Limited.

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While predictions differ about the timing of a slow-down or recession in the U.S. economy, we believe this may occur by the second half of this year. In fact there are some signs that such a slow-down has already begun in the United States. The Canadian economy will, of course, be influenced by what happens in the United States. In the meantime, there is no question that the lower exchange rate for the Canadian dollar is contributing to better sales and earnings in a variety of industries. Perhaps because of this there is considerable optimism in business circles. But despite this we expect a turn-down in the economy before the end of the year. It is to be hoped that long before this happens the government will introduce an easier monetary policy in order to mitigate the adverse effects of the turn-down and the increased unemployment that will accompany it.

Once again, we wish to record that the success of our company depends upon the efforts and ideas of the Presidents, General Managers and personnel of our various subsidiaries who number some 5,000 men and women. We are grateful to all of them for the contribution they are making to our continued success.

Submitted on behalf of the Board of Directors.



Walter L. Gordon, Chairman



Peter A. G. Cameron, President

Toronto, Canada

March 12, 1979





L. C. Bonnycastle, P. A. G. Cameron,  
Hon. Walter L. Gordon



J. P. Parker, J. B. Clarke,  
P. A. G. Cameron, J. A. McKee



T. M. H. Hall, J. A. McKee



J. B. Clarke, E. H. Durnan



W. H. Irwin, J. P. Parker



E. H. Durnan, D. Post

**Consolidated Statement of Income** for the year ended December 31, 1978  
(with 1977 figures for comparison) (thousands of dollars except per share data)

	1978	1977
Revenue:		
Sales	<b>\$316,800</b>	286,387
Investment income	<b>104</b>	740
	<b>316,904</b>	287,127
Expenses:		
Cost of sales, selling and administrative expenses	<b>285,446</b>	257,415
Depreciation and amortization	<b>5,740</b>	4,769
Interest (note 6)	<b>4,706</b>	3,478
	<b>295,892</b>	265,662
Income before undernoted items	<b>21,012</b>	21,465
Income taxes	<b>8,834</b>	8,617
Income before minority interest	<b>12,178</b>	12,848
Interest of minority shareholders in income of subsidiary companies	<b>771</b>	1,014
Net income	<b>\$ 11,407</b>	11,834
Net income per common share	<b>\$ 5.15</b>	5.34

**Consolidated Statement of Retained Earnings** for the year ended December 31, 1978  
(with 1977 figures for comparison) (thousands of dollars)

	1978	1977
Retained earnings at beginning of year	<b>\$ 71,264</b>	62,751
Net income	<b>11,407</b>	11,834
	<b>82,671</b>	74,585
Deduct:		
Dividends (note 7)	<b>22,707</b>	3,254
Tax paid on undistributed income		67
	<b>22,707</b>	3,321
Retained earnings at end of year	<b>\$ 59,964</b>	71,264

See accompanying notes to consolidated financial statements.



**Consolidated Balance Sheet** December 31, 1978  
(with 1977 figures for comparison) (thousands of dollars)

ASSETS	1978	1977
Current assets:		
Cash and term deposits	\$ 3,800	1,121
Accounts receivable	49,922	42,347
Inventories (note 3)	75,233	58,009
Prepaid expenses	1,071	771
Total current assets	130,026	102,248
Property, plant and equipment (note 4)	34,663	29,417
Other assets:		
Non-current receivables and sundry investments	6,376	10,317
Goodwill and patents	1,410	1,200
Total other assets	7,786	11,517
Approved by the Board:		
Peter A. G. Cameron, Director		
Walter L. Gordon, Director		
	<u>\$172,475</u>	<u>143,182</u>

See accompanying notes to consolidated financial statements.

## Auditors' Report

TO THE SHAREHOLDERS OF  
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31,



130  
82  
\$ 48

LIABILITIES AND SHAREHOLDERS' EQUITY	1978	1977
Current liabilities:		
Bank advances (note 5)	\$ 36,642	13,148
Accounts payable and accrued charges	36,391	22,882
Income and other taxes payable	4,474	4,646
Dividends payable	433	830
Current portion of long-term debt	4,101	4,560
Total current liabilities	82,041	46,066
Deferred income	1,485	2,047
Long-term debt (note 6)	19,419	12,609
Deferred income taxes	2,650	3,075
Minority interest in subsidiary companies	4,833	6,858
Shareholders' equity (note 7):		
Stated capital	2,083	1,263
Retained earnings	59,964	71,264
Total shareholders' equity	62,047	72,527
	\$172,475	143,182

1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
March 2, 1979

*Peat, Marwick, Mitchell & Co.*  
Chartered Accountants



**Consolidated Statement of Changes in Financial Position** for the year ended December 31, 1978  
(with 1977 figures for comparison) (thousands of dollars)

	1978	1977
Financial resources provided by:		
Income before minority interest	<b>\$12,178</b>	12,848
Items not involving financial resources:		
Depreciation and amortization	<b>5,569</b>	4,616
Amortization of goodwill and patents	<b>171</b>	153
Deferred income taxes	<b>(425)</b>	330
Financial resources provided from operations	<b>17,493</b>	17,947
Increase in long-term debt	<b>6,810</b>	
Decrease in non-current receivables and sundry investments	<b>3,941</b>	2,257
Disposal of property, plant and equipment	<b>695</b>	707
	<b>28,939</b>	20,911
Financial resources used for:		
Acquisition of subsidiary company	<b>6,998</b>	
Less working capital acquired	<b>5,004</b>	
	<b>1,994</b>	
Consisting of:		
Property, plant and equipment	<b>\$1,613</b>	
Patents	<b>381</b>	
	<b>\$1,994</b>	
Cash dividends paid by parent company	<b>21,318</b>	3,321
Purchase of property, plant and equipment	<b>9,627</b>	5,751
Decrease in long-term debt		3,426
Purchase of minority interests in subsidiary companies	<b>2,092</b>	
Dividends and other payments to minority interests	<b>974</b>	1,249
Redemption of preferred shares	<b>569</b>	
Decrease in deferred income	<b>562</b>	311
	<b>37,136</b>	14,058
Increase (decrease) in working capital	<b>(8,197)</b>	6,853
Working capital at beginning of year	<b>56,182</b>	49,329
Working capital at end of year	<b>\$47,985</b>	56,182

See accompanying notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

December 31, 1978

The company is subject to the provisions of the Canada Business Corporations Act. The company is engaged in a broad range of manufacturing, distribution and service activities throughout Canada.

### 1. Significant Accounting Principles

The accounting principles of the company conform in all material respects with accounting principles generally accepted in Canada. The significant accounting principles are summarized below.

#### Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and its subsidiary and effectively-controlled companies. Acquisitions of such companies are accounted for by the purchase method and the results of their operations are included in the consolidated statement of income from the respective dates of acquisition. Investments in incorporated joint ventures are accounted for by the equity method.

#### Translation of Foreign Currencies

Foreign currencies are translated to Canadian dollars as follows: revenue and expenses at exchange rates effective on the transaction dates; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

#### Inventories

Inventories are stated at the lower of cost and market, with cost being determined on a first-in, first-out basis, the market value of finished goods, work in process and land held for development being net realizable value, and the market value of raw materials being replacement cost.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases.

#### Sundry Investments

Sundry investments are stated at the lower of cost and estimated realizable value.

#### Goodwill and Patents

Goodwill arising on acquisitions is amortized over periods not exceeding ten years. Patents are amortized over their legal lives.

#### Land Sales

The company follows the accounting practice, which is not generally accepted, of deferring profit from land sales proportionate to the related proceeds not yet realized in cash. The effect on current operations of not adhering to the generally accepted practice of recording the entire profit in operations at the time of sale is immaterial.

These financial statements have been prepared taking into consideration events occurring between December 31, 1978 and March 2, 1979, the date of their approval by the President and the Vice-President, Finance of the company.

### 2. Acquisitions

On October 16, 1978 a subsidiary of the company acquired for cash all the outstanding shares of Electro-Therm, Inc. a U.S. manufacturer of electric heating elements for residential, commercial and industrial applications.

Details of the acquisition are as follows:

Assets, at assigned values . . . . .	\$7,902,000
Liabilities, at assigned values . . . . .	(904,000)
Cost of acquisition . . . . .	<u>\$6,998,000</u>

Effective December 31, 1978, the company acquired the remaining minority interests in Jelinek Sports Limited (20%), Cutler Brands Limited (50%) and Cutler Designs Limited (50%).



3. Inventories

(Thousands of Dollars)

	1978	1977
Finished goods . . . . .	<b>\$41,455</b>	31,687
Work in process . . . . .	<b>9,785</b>	9,490
Raw materials . . . . .	<b>20,149</b>	13,534
	<b>71,389</b>	54,711
Land held for development . . . . .	<b>3,844</b>	3,298
	<b><u>\$75,233</u></b>	<u>58,009</u>

4. Property, Plant and Equipment

(Thousands of Dollars)

	Rates of Depreciation and Amortization	1978		1977	
		Cost	Net Book Value	Cost	Net Book Value
Buildings . . . . .	4%—10%	<b>\$22,076</b>	<b>13,351</b>	19,861	12,161
Machinery and equipment . . . . .	20%—30%	<b>49,889</b>	<b>16,652</b>	42,978	13,132
Leasehold improvements . . . . .	Term of Lease	<b>1,850</b>	<b>940</b>	1,603	866
		<b>73,815</b>	<b>30,943</b>	64,442	26,159
Land . . . . .		<b>3,720</b>	<b>3,720</b>	3,258	3,258
		<b><u>\$77,535</u></b>	<b><u>34,663</u></b>	<u>67,700</u>	<u>29,417</u>

5. Bank Advances

Bank loans of \$17,272,000 are secured by specific and floating charges on assets of the applicable subsidiaries.

6. Long-term Debt

(Thousands of Dollars)

	Interest Rates	1978	1977
Bank term loans . . . . .	¾% to 1½% above bank prime	<b>\$18,472</b>	13,251
Mortgages and other secured debt . . . . .	6% to 9¾%	<b>4,024</b>	2,759
Loans from minority shareholders of subsidiaries . . . . .	bank prime	<b>717</b>	717
Government of Canada, secured . . . . .	nil	<b>307</b>	442
		<b><u>\$23,520</u></b>	<u>17,169</u>

Approximate principal repayments are as follows:

1979 . . . . .		\$ 4,101
1980 . . . . .	\$ 4,192	
1981 . . . . .	4,016	
1982 . . . . .	3,110	
1983 . . . . .	2,865	
1984 and later . . . . .	5,236	19,419
Total long-term debt . . . . .		<b><u>\$23,520</u></b>

Bank term loans of approximately \$3,665,000 are secured by assignment or pledge of assets or shares of subsidiary companies.

Long-term debt includes U.S. dollar obligations of \$4,558,000 at their Canadian equivalent of \$5,405,000.

Interest on long-term debt was \$1,709,000 in 1978 (1977—\$1,462,000).



## 7. Shareholders' Equity

	Issued Shares	(Thousands of Dollars) Stated Capital	
		1978	1977
Common shares			
Class A convertible common shares . . . . .	1,003,548		
Class B convertible common shares . . . . .	1,210,844		
Total common shares. . . . .	<u>2,214,392</u>	<b>\$1,263</b>	1,263
6% cumulative redeemable preferred shares. . . . .	<u>82,029</u>	<b>820</b>	
		<b><u>\$2,083</u></b>	<u>1,263</u>

The Class A and Class B shares are interconvertible on a one-for-one basis. These shares rank equally as to dividends; the directors have indicated that their policy will be to declare dividends on the Class B shares by way of a stock dividend of fully paid preferred shares of the company. During 1978 129,320 Class A shares were converted into Class B and 171,768 Class B shares were converted into Class A.

The preferred shares are issued as stock dividends on the Class B common shares. The holder of each preferred share is entitled to cash dividends at the rate of 60¢ per share per annum and to a redemption price of \$10. The shares are redeemable at the option of the holder but may be redeemed at the option of the company after December 31, 1983. During 1978 138,894 preferred shares were issued and 56,865 shares were redeemed.

The company is a constrained share corporation under the Canada Business Corporations Act whereby the total number of voting shares outstanding that may be held by non-residents is restricted to 25% and the number that may be held by any single non-resident is restricted to 10%.

Retained earnings at December 31, 1978 and 1977 include contributed surplus amounting to \$1,017,000.

The following dividends were declared during the year:

Special dividend of \$8.75 per common share paid out of 1971 capital surplus . . . . .	\$19,376,000
Regular quarterly dividends on common shares (\$1.50 per annum)	
—cash. . . . .	1,933,000
—stock . . . . .	1,389,000
Dividends on preferred shares . . . . .	9,000
	<u>\$22,707,000</u>

## 8. Contingencies and Commitments

The company and its subsidiaries have commitments under long-term lease agreements extending for various periods up to 1998. The current annual rental payments under these leases approximate \$1,570,000.

At December 31, 1978 the unfunded past service costs of employees' pension plans amount to \$5,120,000, actuarially estimated. This amount will be funded and charged to operations over periods to fifteen years.

The company and its subsidiaries are contingently liable for \$2,200,000 in respect of guarantees.



**Segmented Sales and Income by Class of Business**

for the year ended December 31, 1978 (with 1977 figures for comparison) (thousands of dollars except per share data)

	1978			1977		
	Sales	Net Income		Sales	Net Income	
		Total	Per Share		Total	Per Share
<b>Electrical and Electronics</b>	<b>\$ 57,994</b>	<b>3,425</b>	<b>1.55</b>	53,453	3,673	1.66
<b>Residential Building Supplies</b>	<b>109,233</b>	<b>3,835</b>	<b>1.73</b>	97,023	4,017	1.81
<b>Graphics</b>	<b>56,953</b>	<b>2,350</b>	<b>1.06</b>	49,248	2,233	1.01
<b>Metallurgical and Chemical</b>	<b>49,028</b>	<b>3,724</b>	<b>1.68</b>	43,903	2,281	1.03
<b>Products and Services</b>	<b>43,592</b>	<b>1,093</b>	<b>.49</b>	42,760	1,209	.54
	<b>316,800</b>	<b>14,427</b>	<b>6.51</b>	286,387	13,413	6.05
Less interest of minority shareholders, head office expenses and amortization of goodwill		<b>3,020</b>	<b>1.36</b>		1,579	.71
Total	<b>\$316,800</b>	<b>11,407</b>	<b>5.15</b>	286,387	11,834	5.34

Note—

The directors have determined the classes of business in accordance with the Canada Business Corporations Act, based upon the functional and managerial organization of the Company.



## Subsidiary Companies and Senior Officers

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### Electrical and Electronics

#### **Chromalox Canada Inc.**

Toronto, Ontario

Z. D. Simo, President

G. E. Marshall, Vice President Marketing and  
General Sales Manager

W. M. Argue, Vice President, Operations

S. F. Smith, Controller

#### **Electro-Therm, Inc.**

Laurel, Maryland, U.S.A.

L. D. Drugmand, President

#### **Glengarry Industries**

Cambridge, Ontario

H. J. Langille, General Manager

#### **Heron Cable Industries Limited**

Waterloo, Ontario

A. W. Mondoux, General Manager

#### **Eastern Wire & Conduits**

Toronto, Ontario

A. W. Mondoux, General Manager

#### **Hull-Thomson Limited**

Windsor, Ontario

W. M. Argue, President

D. J. Pantou, General Manager

#### **Oasis Air Conditioning Inc.**

Mississauga, Ontario

C. R. Hollaman, General Manager

#### **Delhi Industries Limited**

Delhi, Ontario

G. K. McClatchie, President

#### **Milltronics Limited**

Peterborough, Ontario

A. E. Gillis, President

#### **Thermetic Controls Limited**

Toronto, Ontario

W. G. Rea, President

### Residential Building Supplies

#### **Larkin Lumber Limited**

Canada Cashway Lumber Limited

Cashway North Limited

Mississauga, Ontario

J. M. Brunton, Chairman

J. F. Haldimand, President

#### **Burnel Graham Co. Limited**

Schomberg, Ontario

T. R. Graham, President

#### **Penn Building Centres**

Grimsby, Ontario

R. C. Becker, President

#### **Peterborough Lumber Limited**

Peterborough, Ontario

J. F. Haldimand, President

#### **Renovaprix (1978) Inc.**

Dorval, Quebec

R. Garipey, President

#### **Timberline Home Centres Limited**

Mississauga, Ontario

### Graphics

#### **Cutler Brands Limited**

#### **Cutler Designs Limited**

Toronto, Ontario

E. H. Durnan, President

#### **RBW Inc.**

Owen Sound, Ontario

R. A. Morrison, President

#### **Regal Stationery Limited**

Toronto, Ontario

J. P. Parker, President

### Metallurgical and Chemical

#### **Dominion Forge Company Limited**

Windsor, Ontario

E. J. Marks, Vice President, Operations

#### **The Guelph Engineering Company Limited**

Guelph, Ontario

J. R. Gauch, President

#### **Neo Industries Limited**

Hamilton, Ontario

J. P. Jones, President

#### **Northern Pigment Limited**

Toronto, Ontario

R. Fraser, President

### Products and Services

#### **Arosa Properties Limited**

Toronto, Ontario

E. C. LaBerge, President

#### **IEC-Holden Inc.**

Montreal, Quebec

R. B. Winsor, President

#### **Jelinek Sports**

Oakville, Ontario

F. Mariano, President

#### **O.C.R. Concepts Ltd.**

Toronto, Ontario

D. V. Loft, President

#### **Rantech Electronics Limited**

Toronto, Ontario

N. C. Reed, Vice President and General Manager

#### **Tender Tootsies Limited**

London, Ontario

S. E. Lyons, President

#### **Triad Financial Services**

Toronto, Ontario

W. L. Seeley, President

#### **York Telecommunications Limited**

Toronto, Ontario

E. S. Cockle, President

## Ten Year Summary

(thousands of dollars except per share data)

	1978	1977	1976	1975	1974	1973
<b>Operating Statistics</b>						
Sales	<b>\$ 316,800</b>	286,387	294,994	268,587	238,070	176,206
Earnings before income taxes, minority interest and extraordinary items	<b>\$ 21,012</b>	21,465	21,870	26,063	19,914	15,314
Income taxes	<b>\$ 8,834</b>	8,617	9,594	12,057	9,391	7,254
Income before extraordinary items	<b>\$ 11,407</b>	11,834	11,260	12,237	9,331	7,191
—per common share	<b>\$ 5.15</b>	5.34	5.08	5.53	4.21	3.25
Net income	<b>\$ 11,407</b>	11,834	11,606	12,319	9,415	7,191
—per common share	<b>\$ 5.15</b>	5.34	5.24	5.56	4.25	3.25
Dividends declared	<b>\$ 22,707</b>	3,254	2,648	2,448	2,140	1,730
Dividends paid on common shares						
—per A share	<b>\$ 1.50</b>	1.50	1.22½	1.20	1.00	.84
—per B share	<b>\$ 1.50</b>	1.38¾	1.04⅞	1.02	.85	.714
—Special dividend	<b>\$ 8.75</b>					
<b>Other Statistics</b>						
Current assets	<b>\$ 130,026</b>	102,248	104,178	97,209	87,515	78,176
Current liabilities	<b>\$ 82,041</b>	46,066	54,849	58,244	53,652	40,881
Working capital	<b>\$ 47,985</b>	56,182	49,329	38,965	33,863	37,295
—ratio of current assets to current liabilities	<b>1.6 to 1</b>	2.2 to 1	1.9 to 1	1.7 to 1	1.6 to 1	1.9 to 1
—per common share	<b>\$ 21.67</b>	25.37	22.28	17.60	15.29	16.84
Property, plant and equipment (net)	<b>\$ 34,663</b>	29,417	28,931	27,763	21,656	20,264
Additions	<b>\$ 9,627</b>	5,751	7,039	8,320	6,388	4,799
Depreciation expense	<b>\$ 5,569</b>	4,616	4,781	4,018	3,682	2,810
Shareholders' equity	<b>\$ 62,047</b>	72,527	64,014	55,287	45,625	38,648
—per common share	<b>\$ 27.65</b>	32.75	28.91	24.97	20.60	17.45
Price range of A shares	<b>\$ 34¾-25</b>	28-21	28½-20	23½-16½	26½-15	26¾-19

### NOTES

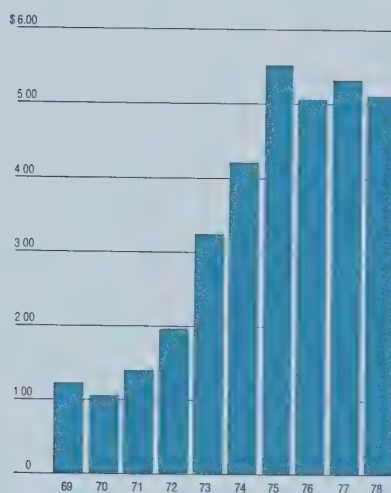
1. In 1971, the common shares were designated as A shares and at the same time B shares were so designated to facilitate the payment of dividends out of tax-paid undistributed surplus or 1971 capital surplus. Both A and B shares are convertible into the other on a one-for-one basis. Per share figures for 1969 have been adjusted to reflect the four for one subdivision of the common shares in 1970.
2. The above figures for 1972 to 1975 have been restated from figures originally reported to reflect consolidation of the accounts of Arosa Properties Limited; this restatement does not change the net income.
3. The special dividend of \$8.75 per share in 1978 was paid on both A and B shares out of 1971 Capital Surplus.



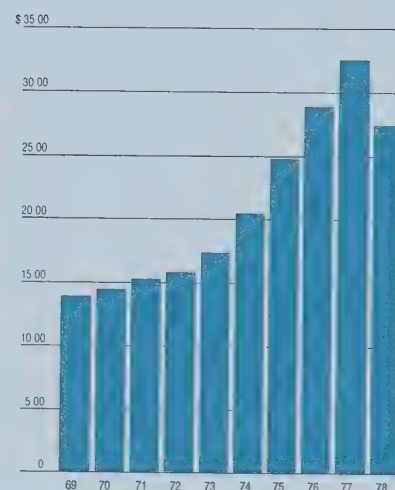
1972	1971	1970	1969
137,688	120,616	104,954	101,213
10,277	6,858	5,852	6,283
5,077	3,362	3,160	3,247
4,330	3,054	2,329	2,684
1.96	1.43	1.09	1.25
4,502	3,334	2,520	2,812
2.03	1.56	1.18	1.31
1,332	1,414	1,199	937
.66	.56	.67	.37½
.561			

58,457	41,153	37,643	32,112
28,785	18,498	17,287	12,859
29,672	22,655	20,356	19,253
2.0 to 1	2.2 to 1	2.2 to 1	2.5 to 1
13.40	10.58	9.50	8.99
15,656	16,112	14,886	10,859
3,902	3,140	4,743	2,524
2,447	2,106	1,550	1,755
35,166	32,790	31,367	30,046
15.88	15.31	14.64	14.03
22½-15	16-10¼	15½-9½	13¾-10¾

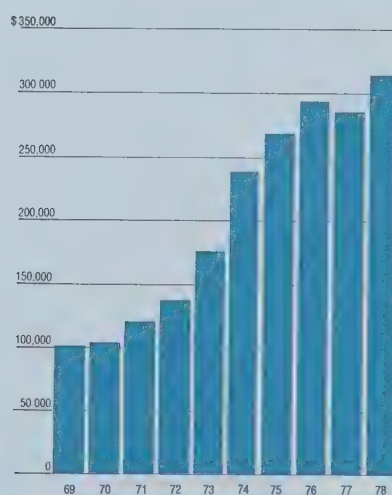
Income per Share before Extraordinary Items



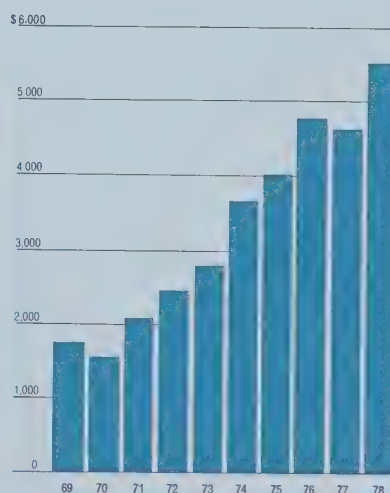
Equity per Share



Sales  
(thousands)



Depreciation and Amortization  
(thousands)



1978 Results by Quarters

Quarter	Sales	Net Income
First	\$ 58,008	1,205
Second	74,386	2,366
Third	89,837	3,594
Fourth	94,569	4,242
	\$316,800	11,407

Income Per Share

Quarter	1978	1977	1976	1975	1974
First	\$ .54	.36	.73	.74	.92
Second	1.07	1.19	.97	.97	1.12
Third	1.63	1.61	1.03	1.35	.70
Fourth	1.91	2.18	2.35	2.47	1.47
	\$5.15	5.34	5.08	5.53	4.21

## Summary of company operations by class of business

(thousands of dollars)

### Electrical and Electronics

#### Sales and net income for the group

	1978	1977	1976	1975	1974
Sales	<b>\$57,994</b>	\$53,453	\$48,458	\$44,111	\$41,774
Income before extraordinary items	<b>3,425</b>	3,673	3,464	4,558	4,215

#### **Chromalox Canada Inc.** Toronto, Ontario

**Chromalox** is Canada's leading manufacturer of electrical comfort conditioning equipment such as baseboard heaters, electric recirculation heaters and commercial and industrial convection and forced air heaters. In addition the company manufactures a full range of heating elements for electric ranges, water heaters, dishwashers and small domestic appliances.

Industrial process heating which includes electric hot water and steam boilers and immersion heaters for industry and nuclear purposes is another important product line.

#### **Electro-Therm, Inc.** Laurel, Maryland, U.S.A.

The company has two plants in Maryland, manufacturing resistance heating elements for OEM's in the electric hot water heater business, electric range business and table top appliances. It also manufactures products for industrial process heating.

Products are marketed to OEM's, industrial users and the appliance aftermarket through representatives under the trade name "Thermolink"

#### **Glengarry Industries** Cambridge, Ontario

**Glengarry Industries** supplies Chromalox and other manufacturers with components such as roll formed parts, tubing and stampings. The facility includes the latest equipment for electrostatic painting.

#### **Heron Cable Industries Limited** Waterloo, Ontario

**Heron Cable** manufactures under the trade name "Sentinel" electric heating cable, portable heaters, charcoal and log lighters as well as plant starter kits for the home gardener. The company also has facilities for plastic profile extrusions and injection moulding.

**Eastern Wire and Conduits and Taymer Industries**, a subsidiary of Heron Cable, manufactures Rayflex aluminum flexible conduit, Hydro-tite liquid tight flexible conduit and Taymer sequential measuring and printing machines used by wire and cable manufacturers.

#### **Hull-Thomson Limited** Windsor, Ontario

**Hull-Thomson's** main business is supplying roll-formed and stamped parts to the North American automotive and appliance industries.

**Oasis Air Conditioning Inc.**  
Mississauga, Ontario  
A joint venture company between Duo-Matic/Olsen

and Chromalox. The Company manufactures through-the-wall unitary and ducted heating and air conditioning equipment and residential split system air-conditioning plus electric warm air furnaces.

#### **Delhi Industries Limited** Delhi, Ontario

**Delhi Industries** is the only Canadian owned company supplying centrifugal blowers to the forced warm air heating and air conditioning industries. The company is also the largest Canadian manufacturer of gas manifolds for commercial and domestic appliances.

#### **Milltronics Limited** Peterborough, Ontario

**Milltronics** designs and manufactures industrial process control equipment including ultrasonic level and flow measuring systems, impactline solids flowmeters, ore grinding mill control systems, motion detectors and various process sensors.

A facility in Arlington, Texas was opened in 1977 to better serve U.S. customers.

#### **Thermetic Controls Limited** Toronto, Ontario

**Thermetic Controls** manufactures linear cut-outs, a safety device used in baseboard heaters and other electrical control devices for the electric heating and cooling market.

### Residential Building Supplies

#### Sales and net income for the group

	1978	1977	1976
Sales	<b>\$109,233</b>	\$97,023	\$103,641
Income before extraordinary items	<b>3,835</b>	4,017	3,314

#### **Larkin Lumber Limited** Mississauga, Ontario

**Larkin Lumber** is one of Canada's major retailers of Cash and Carry building supplies. It operates 65 retail outlets in Ontario and Quebec under the names of **Cashway Lumber, Cashway North, Penn Building Centres, Peterborough Lumber, Burnel Graham, Renovaprix and Timberline Home Centres.**

**Peterborough Lumber** is also active in cottage and home building as well as land development. This Company operates a mill-work plant supplying a complete line of kitchen cabinets.

**Redifit Wood Specialties** of Ajax, manufactures a substantial portion of the window and door requirements for the Larkin outlets.

**Timberline Home Centres Limited** is a joint venture operation with Canadian Tire Corporation.







## Graphics

## Metallurgical and Che

### Sales and net income for the group

	1975	1974		1978	1977	1976	1975	1974
	\$88,419	\$71,912	Sales	\$56,953	\$49,248	\$49,696	\$42,598	\$35,254
	5,010	3,188	Income before extraordinary items	2,350	2,233	1,550	1,289	1,146

### Cutler Brands Limited

Toronto, Ontario

**Cutler Brands** is Canada's largest manufacturer of decorated glass products. Product lines include a full range of plain and decorated tableware items, decorated flat and bent glass components for incandescent lighting and decorated back panels and oven door windows for appliance manufacturers.

### Cutler Designs Limited

Toronto, Ontario

**Cutler Designs** is Canada's largest textile decorator of cut textile pieces. The company decorates towels, T-shirts, linen calendars and tea towels by means of special textile pigments using the silk screen process. Complete design, photographic and screen making facilities are available for customer service.

### RBW Inc.

Owen Sound, Ontario

**RBW Inc.** is one of Canada's largest and most highly regarded printers of books, periodicals and catalogues. The company has been a leader in the application of computerized phototypesetting which combines speed, accuracy and data storage capability for the efficient production of trade and telephone directories, book lists, parts lists, catalogues and indexes.

### Regal Stationery Limited

Toronto, Ontario

**Regal Stationery** manufactures a full line of greeting cards, personalized stationery, gift wrap, and a unique line of miscellaneous paper products. It also merchandises a wide range of novelty gift and household items purchased from around the world. A line of "Crownware" plastic food utensils was introduced in 1975. The company issues a spring catalogue and Christmas catalogue each year to a large team of independent sales personnel who may obtain the catalogue items by mail order or directly from distribution centres located in major Canadian cities.

In 1978 the Company entered the U.S. market with catalogue outlets in Hartford, Conn. and Springfield, Mass.

### Sales and net income for the group

	1978
Sales	\$49,028
Income before extraordinary items	3,724

### Dominion Forge Company Limited

Windsor, Ontario

**Dominion Forge** is regarded as a leading source of forged components for the international automotive, earthmoving, truck and off-highway equipment markets. A multi-million dollar program to modernize and enlarge production facilities has been completed.

### The Guelph Engineering Company Limited

Guelph, Ontario

**Guelph Engineering** is a major producer of valves for the power generating, oil and gas transmission and petrochemical markets. Nuclear quality valves comprise a substantial part of its business.



up

	1977	1976	1975	1974
	\$43,903	\$42,903	\$34,922	\$32,241
	2,281	2,641	2,053	2,109

### Neo Industries Limited

Hamilton, Ontario

**Neo Industries** is primarily a roll manufacturer and producer of specialized machined and hard chrome plated parts for a wide variety of industries. Customers include the steel, rubber, plastic, packaging, mining and aircraft industries and manufacturers of photo copier equipment.

### Northern Pigment Limited

Toronto, Ontario

**Northern Pigment** is a leading producer of synthetic iron oxides. Regular grade oxides are used for pigmentation in the manufacture of paint, rubber, plastics and concrete products. High purity oxides are used in the production of ceramic ferrites for the electronic and telecommunications industries.

### Sales and net income for the group

	1978	1977	1976	1975	1974
Sales	<b>\$43,592</b>	\$42,760	\$50,296	\$58,537	\$56,889
Income before extraordinary items	<b>1,093</b>	1,209	2,152	1,787	959

### Arosa Properties Limited

Toronto, Ontario

**Arosa Properties** is engaged in real estate and land development in the major metropolitan areas of Southern Ontario.

### IEC-Holden Inc.

Montreal, Quebec

**IEC-Holden** is a leading supplier in Canada of railway specialty products and services to railroad equipment builders and railway maintenance operations.

**Pandrol Canada Limited**, a joint venture with Elastic Rail Spike Co. Ltd. of England, produces rail clips used as fastenings to concrete ties.

### Jelinek Sports Limited

Oakville, Ontario

**Jelinek Sports** and its Montreal-based Division, **Mariano Sports**, are importers and distributors of racquet sports, inflatables, ski equipment, baseball, hockey and other popular Canadian sports products.

**Syrovatka Skis Limited**, located in Granby, Quebec is a joint venture with George Syrovatka for the manufacture of cross-country skis, ski poles and bindings.

### O.C.R. Concepts Ltd.

Toronto, Ontario

**O.C.R. Concepts** provides optical character recognition equipment and service bureau facilities for the conversion of source data to a computer compatible medium via the optical character recognition technique.

### Rantech Electronics Limited

Toronto, Ontario

**Rantech** designs and manufactures solid state electronic equipment and systems for telemetry, data acquisition and supervisory control for utilities, pipelines, communication companies and industrial applications.

### Tender Tootsies Limited

London, Ontario

**Tender Tootsies** is one of Canada's leading manufacturers of ladies slippers and shoes. Their marketing program, "Be A Tender Tootsie Lady" has opened a new dimension in stimulating goodwill. Using the most efficient production techniques and creative merchandising methods, the company provides the most popular footwear to Canadian women. "Tender Tootsies," "Woc-A-Mocs," "Lullabies," "So-Softs," and "Pillow Pampers" are a few of their well known trade names.

### Triad Financial Services

Toronto, Ontario

**Triad** is engaged in the financing of equipment through conditional sales contracts and lease documents with emphasis on the machine tool and graphic arts industries.

### York Telecommunications Limited

Toronto, Ontario

**York Telecommunications** sells and leases two-way radio communications systems to transportation companies, security organizations and a host of service companies. The company operates a network of UHF and VHF radio channels and in a joint venture with **Western Radio Services Ltd.**, operates a paging system in Metropolitan Toronto under the name **Air Call Limited**.








CANADIAN CORPORATE MANAGEMENT  
COMPANY LIMITED

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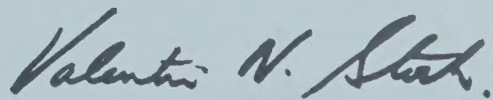
*Report to the Shareholders*

The unaudited consolidated statements covering the company's operations for the first half of 1978 and the corresponding period in 1977 are attached.

Although the income to date is slightly ahead of that of the previous year the major portion of the company's income historically occurs in the latter half of the year. Some of the operating subsidiaries will have excellent results in 1978, however, others are experiencing difficulties in the current sluggish economy and as a result it is difficult at this time to predict overall results for the twelve month period.



WALTER L. GORDON, *Chairman*



V. N. STOCK, *President*

Toronto, Canada

July 24, 1978

# CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

## CONSOLIDATED STATEMENT OF INCOME

(NOT AUDITED)

(thousands of dollars except per share data)

	QUARTER ENDED JUNE 30		HALF YEAR ENDED JUNE 30	
	1978	1977	1978	1977
Sales	<u>\$ 74,386</u>	<u>\$ 69,185</u>	<u>\$132,394</u>	<u>\$125,708</u>
Income for the period from operations before income taxes and interest of minority shareholders	4,900	4,833	7,083	6,427
Income taxes	<u>2,208</u>	<u>2,268</u>	<u>3,115</u>	<u>2,981</u>
	2,692	2,565	3,968	3,446
Gain from the sale of miscellaneous investments less provision for tax thereon		350		350
	<u>2,692</u>	<u>2,915</u>	<u>3,968</u>	<u>3,796</u>
Interest of minority shareholders in income of subsidiary companies	<u>326</u>	<u>273</u>	<u>397</u>	<u>353</u>
Net income for the period	<u>\$ 2,366</u>	<u>\$ 2,642</u>	<u>\$ 3,571</u>	<u>\$ 3,443</u>
Net income per share	<u>\$ 1.07</u>	<u>\$ 1.19</u>	<u>\$ 1.61</u>	<u>\$ 1.55</u>



# CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(NOT AUDITED)

(thousands of dollars)

	HALF YEAR ENDED JUNE 30	
	1978	1977
Financial resources provided by:		
Income before minority interest	\$ 3,968	\$ 3,796
Add items not requiring an outlay of financial resources:		
Depreciation and amortization	2,371	2,252
Amortization of goodwill	77	77
Financial resources provided from operations	6,416	6,125
Increase in long-term liabilities	3,317	
Decrease in non-current receivables and other investments	1,477	1,316
Disposal of property, plant and equipment	245	336
	<u>11,455</u>	<u>7,777</u>
Financial resources used for:		
Cash dividends paid		
Special	19,376	
Regular (note 1)	1,185	1,525
Purchase of property, plant and equipment	2,650	2,125
Dividends and other payments to minority interests	410	543
Decrease in deferred income	209	140
Decrease in long-term liabilities		696
Tax paid on undistributed income		136
	<u>23,830</u>	<u>5,165</u>
Increase (decrease) in working capital	(12,375)	2,612
Working capital at beginning of the year	56,182	49,329
Working capital at June 30	<u>\$ 43,807</u>	<u>\$ 51,941</u>

Notes: 1. The dividend to Class B shareholders of record June 30, 1978 is to be paid in the form of redeemable preference shares.

2. Certain 1977 figures have been reclassified to conform with 1978 presentation.

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**CANADIAN CORPORATE MANAGEMENT  
COMPANY LIMITED**

**Interim Financial Report**

FOR SIX MONTHS ENDED JUNE 30, 1978